

**THE INFLUENCE OF HUMAN RESOURCE  
PRACTICES ON EMPLOYEE RETENTION**

**PURUSHOTHAMAN KOCHACHATHU**

**UNIVERSITI UTARA MALAYSIA  
2010**

**THE INFLUENCE OF HUMAN RESOURCE PRACTICES ON EMPLOYEE  
RETENTION**

**A project paper submitted to the College of Business in partial fulfillment of the  
requirements for the degree of Master of Human Resource Management**

**Universiti Utara Malaysia**

**BY:**

**PURUSHOTHAMAN KOCHACHATHU**

**802425**

## **PERMISSION TO USE**

In presenting this project paper in partial fulfillment of the requirements for a Post Graduate degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying this project paper in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor or in their absence, by the Assistant Vice Chancellor of the College of Business where I did my project paper. It is understood that any copying or publication or use of this project paper or parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the Universiti Utara Malaysia (UUM) in any scholarly use which may be made of any material in my project paper. Request for permission to copy or to make other use of materials in this project paper in whole or in part should be addressed to:

**Assistant Vice Chancellor**

**College of Business**

**Universiti Utara Malaysia (UUM)**


**06010 Sintok**

**Kedah Darul Aman**

## DISCLAIMER

The author is responsible for the accuracy of all opinion, technical comment, factual report, data, figures, illustrations and photographs in this dissertation. The author bears full responsibility for the checking whether material submitted is subject to copyright or ownership right. Universiti Utara Malaysia (UUM) does not accept any liability for the accuracy of such comment, report and other technical and factual information and the copyright or ownership rights claims. The author declares that this dissertation is original and his own except those literatures, quotations, explanations and summarizations which are duly identified and recognized. The author hereby granted the copyright of this dissertation to College of Business, Universiti Utara Malaysia (UUM) for publishing if necessary.

Date: 02 FEBRUARY 2011

Student Signature: 

## **ACKNOWLEDGEMENTS**

First of all I would like to thank God for giving this opportunity for me to continue my studies, without his blessings I would not have completed this project. I would like to thank Dr Norsiah Bt Mat , Dr Chandrakantan for guiding me to complete this Project paper, especially to my project supervisor Dr Chandrakantan who has patiently responded to all my doubts and provided his full support. I'm so lucky that my family was so understanding and provided me excellent moral support. Thanks to my wife Umavathy who have been providing support and encouragement throughout this 2 years of my studies and also not forgetting my daughters Keerthigha and Manissha whom i owe the time that I have missed for the past 2 years. A special thanks to my classmates and all my teammates in Discovery 5 especially to My team lead Gunalan for giving me valuable viewpoints to complete this project. To all my friends, I would like thank for your understanding and support. I also would like to thank my best friend, Mohamed Arshad for giving me moral support and encouragement right from the enrollment of this course.

Completing this Masters is like a dream come true for me and especially for parents who are no longer in this world particularly to my father who has constantly reminded and encouraged me to continue my studies whenever i get an opportunity. In memory of my parents, Kochachathu and Karthiyani whom i love so much and always hoping for their blessings in whatever thing i do.

Finally A special thanks to the Management of Intel especially to Dr Siva for providing me this wonderful opportunity which I will be grateful forever.

## **ABSTRAK**

Pengekalan pekerja ialah satu isu penting yang memerlukan tumpuan syarikat. Syarikat-syarikat perlu mengenal pasti faktor-faktor pengekalan pekerja dan secara strategik menjurus meningkatkan dan melaksanakan dasar yang perlu dengan cecap bagi mengekalkan pekerja-pekerja mereka. Pada masa kini syarikat-syarikat kehilangan pekerja-pekerja utama mereka dan tak sensitif pada sebab utama mengapa bakat utama mereka meninggalkan syarikat mereka. Objektif kajian ini adalah bagi mengenal pasti faktor-faktor penentu pengekalan pekerja dalam Intel Malaysia. Satu borang kaji selidik telah dihantar kepada 368 pekerja dan 130 daripada mereka telah membalas borang tersebut. Jawapan daripada kajian telah dianalisis menggunakan SPSS Versi 12, regresi berganda mendapati terdapat satu perhubungan signifikan antara 2 faktor pemboleh ubah bebas. Faktor pemboleh ubah bebas tersebut adalah ganjaran pengiktirafan kakitangan dan pampasan diikuti oleh persekitaran kerja dan rekabentuk kerja. Justeru itu kedua-dua faktor ini telah diklasifikasi sebagai faktor yang mempengaruhi untuk pengekalan pekerja dalam Intel Malaysia.

## **ABSTRACT**

Employee retention is an important issue that companies should focus on. Companies should identify the factors determining employee retention and strategically move towards improving and implementing necessary policy in those areas efficiently to retain their employees. In current situation Companies are losing their key employees and not sensitive on why their key talent is leaving. The objective of this study is to identify the influence of human resource practice on employee retention in Intel Malaysia. A survey was sent to 368 employees and 130 of them responded. The result was analyzed using the SPSS Version 12, the regression analysis found that there is a significant relationship between 2 independent variables. The variables identified for the study are work environment and job design, hires and promotions, employee recognition rewards and compensation and finally employee performance assessment and development. Among the Independent variables it was found that employee recognition rewards and compensation followed by Work environment and job design are the influencing factor for employee retention in Intel Malaysia.

## TABLE OF CONTENTS

<b>PERMISSION TO USE .....</b>	<b>ii</b>
<b>DISCLAIMER .....</b>	<b>iii</b>
<b>ACKNOWLEDGEMENTS .....</b>	<b>iv</b>
<b>ABSTRAK.....</b>	<b>v</b>
<b>ABSTRACT .....</b>	<b>vi</b>
<b>TABLE OF CONTENTS .....</b>	<b>vii</b>
<b>LIST OF TABLES.....</b>	<b>ix</b>
<b>LIST OF FIGURES.....</b>	<b>x</b>
<b>CHAPTER 1.....</b>	<b>1</b>
<b>INTRODUCTION .....</b>	<b>1</b>
1.1 Introduction to the Study .....	1
1.2 Background of the study .....	3
1.3 Problem Statement.....	5
1.4 Research Questions.....	6
1.5 Research Objectives.....	7
1.6 Significance of the Study .....	7
1.7 Definition of Key Terms.....	8
1.8 Organization of Remaining Chapters.....	10
<b>CHAPTER 2.....</b>	<b>11</b>
<b>LITERATURE REVIEW .....</b>	<b>11</b>
2.1 Review of Related Literature .....	11
2.1.1 Work environment and Job Design. ....	13
2.1.2 Hires and Promotions .....	16
2.1.3 Employee Recognition, Rewards and compensation .....	18
2.1.4 Employee Performance assessments and Development.....	20
2.1.5 Synthesis of the Literature Reviewed.....	22
2.1.5.1 Commonalities.....	22
2.1.5.2 Points of Differences .....	23
2.2 Research Framework/Theoretical Framework.....	23
2.3 Conceptual Definitions .....	24
<b>CHAPTER 3.....</b>	<b>26</b>
<b>METHODOLOGY .....</b>	<b>26</b>
3.1 Introduction.....	26
3.2 Research Design.....	27
3.2.1 Type of Study .....	27
3.2.2 Unit of Analysis.....	28
3.2.3 Population Frame.....	28
3.2.4 Sample & Sampling Technique .....	28
3.3 Measurement.....	29
3.3.1 Detailed Description of the Instrument .....	29
3.3.2 Operational Definitions .....	30
3.3.3 Validation of Instruments .....	33
3.3.4 Data Collection and Administration .....	34
3.4 Data Analysis Techniques.....	34
<b>CHAPTER 4.....</b>	<b>36</b>
<b>FINDINGS.....</b>	<b>36</b>
4.1 Introduction .....	36
4.2 Overview of Data Collected .....	36



4.2.1	Response Rate.....	36
4.2.2	Profile of Respondents.....	36
4.3	Goodness of Measures. ....	38
4.4	Reliability Test .....	38
4.5	Descriptive Analysis. ....	39
4.6	Major Findings.....	39
4.6.1	Pearson Correlation Analysis .....	40
4.6.2	Multiple Regression Analysis.....	41
4.6.3	Summary of Findings on the Hypotheses.....	42
<b>CHAPTER 5.....</b>		<b>44</b>
<b>DISCUSSION, CONCLUSION AND RECOMMENDATION .....</b>		<b>44</b>
5.1	Introduction.....	44
5.2	Discussion .....	44
5.3	Implications of the Study .....	48
5.3.1	Managerial Implication and Theoretical Implication .....	48
5.4	Limitations of the Study.....	49
5.4	Recommendations for future studies .....	49
5.5	Conclusion .....	50
REFERENCES .....		52
<b>APPENDIX 1.....</b>		<b>57</b>

## LIST OF TABLES

Table 3	Distribution of variables .....	30
Table 3.1	Operation definitions for independent variables .....	31
Table 3.2	Correlation coefficient range .....	35
Table 4.	Discription of sample .....	37
Table 4.1	Cronbach Alpha.....	38
Table 4.2	Standard deviation.....	39
Table 4.3	Correlations analysis of the variables.....	40
Table 4.4	Standard multiple regression result .....	41
Table 4.5	Hypotheses findings .....	43

## LIST OF FIGURES

Figure 1 Research framework.....	24
----------------------------------	----

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Introduction to the Study**

Today's "best" companies understand that the real key to maintaining a world-class workforce is not to just hire the best, but to keep them once they are hired. They focus the same effort on keeping great employees as they do on finding great employees. With the same tenacity, attention to detail, and "salesmanship" they use to attract great employees, these companies consistently retain far greater numbers of key employees than their competitors do (Harris and Brannick, 1999). Many times companies focus least on the welfare of their employees and this will lead to dissatisfaction among the employees and eventually will affect employee's performance, and causing employee to decide to leave the company looking for better opportunity, better benefit a most importantly caring employer. This will be a big problem to the company if this occurs during periods of heightened competition and tight labor markets. Retaining the employees is a challenge that companies need to look upon. Retention as "the ability to hold onto those employees you want to keep, for longer than your competitors" Johnson (2000) as cited in Shoaib, Ayesha, Syed Raza, and Sajid, (2009).

As we know, it is getting difficult to attract and keep skilled employees in an organization. Many businesses and industries are desperate for help and either can't find people with the right skills and attitudes, or ignore non-traditional workers. When does organization focus on employee retention? Most businesses only focus on employee retention when turnover increases. Mitchell et al claimed that turnover is costly for both employers and workers. Employers find replacement cost and hidden

The contents of  
the thesis is for  
internal user  
only

## REFERENCES

- Agarwal, N. C. (1998). Reward Systems: Emerging Trends and Issues. *Canadian Psychology*, 39(1) , 60-70.
- Allen, D., & Griffeth, R. (1999). Job performance and turnover: a review and integrative. *Human Resource Management Review*, VOL. 9 , 525-48.
- Armstrong-Stassen, M., & Nancy, U. D. (2009). Perceived organizational support, career satisfaction, and the retention of older workers. *Occupational and Organizational Psychology* , 82, 201–220.
- Bowen, R. B. (2000). *Recognizing & Rewarding Employees*. OH USA: McGraw-Hill Professional Book Group.
- Branham, L. (2005). *7 Hidden Reasons Employees Leave : How to Recognize the Subtle Signs and Act Before It's Too Late*. New York: AMACOM.
- Brown, M., Hyatt, D., & Benson, J. (2010). Consequences of the performance appraisal experience. *Personal Review*, Vol. 39 No. 3 , 375-396,.
- Coff, R. W. (1997). Human Assets and Management Dilemmas: Coping with Hazards on the Road to Resource-Based Theory. *The Academy of Management Review* , 374-402 .
- Crispin, C. R. (2009). Improving retention strategies for IT professionals working in the public sector. *Information & Management* 46 (2009) , 233–240.
- Debra F, C. (2002). Expanding Paradigms in Providing Internal Service. *Managing Service Quality* , 87-99.
- Dessler, G. (2000). *Human Resource Management (8th Edition)*. River, NJ: Prentice Hall.
- Diamond, A. (2000, November). *EMPLOYEE RETENTION*. Retrieved from Diamond associates: <http://www.diamondassociates.net/articles/content/Retention.html>

- Earle, H. A. (2003). Building a workplace of choice: Using the work environment to attract and retain top talent. *Journal of Facilities Management*, VOL 2 NO.3 , 244- 257.
- Fields, J. M. (2001). *Indispensable Employees : How to Hire Them, How to Keep Them*. Franklin Lakes, NJ, USA: Career Press, Incorporated.
- Freyermuth, B. (2007). *Best Practices in Recruiting and Retaining Talented Staff*. MCgladery, RSM.
- Hair, J., Money, A., Page, M., & Samouel, P. (2007). *Research Methods for Business*. West Sussex: John Wiley & Sons.
- Harris, J., & Brannick, J. (1999). *Finding and Keeping Great Employees*. Saranac Lake, NY, USA: AMACOM.
- Hedberg, L., & Helenius, M. (2007). What Leaders Can Do to Keep Their Key Employees- Retention management.
- Huang, I. C., Hao, C. L., & Chuang, C. H. (2006). Constructing factors related to worker retention. *International Journal Manpower* , 491-508.
- Ian M, T., & Jonathan, W. (2007). The importance of management style in labour retention. *International Journal of Sociology and* , 5-18.
- Janet, S. (2002). Management retention in the NHS. *Journal of management in Medicine* , 292-302.
- John P, W., & Western, S. (2000). Performance appraisal: and obstacle to Training and Development. *Career Development International* , 93-99.
- Johnson, J. T., Griffeth, R. W., & Griffin, M. (2000). Factors Discriminating functional and dysfunctional salesforce turnover. *Journal of Business Industrial marketing* .
- Kiyoshi, T. (2006). CONTINUITY OF TRADITION Effects of wage and promotion incentives on the motivation levels of Japanese employees. *Career Development International* , 193-203.

- Kleiman, L. S. (2010). *EMPLOYEE COMPENSATION*. Retrieved December 28, 2010, from Reference for Business : Encyclopedia of Small Business: <http://www.referenceforbusiness.com/management/Em-Exp/Employee-Compensation.html>
- Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research. *Educational and Psychological measurement* , 607-610.
- Lee, T. M. (1996). Employee Turnover. *Academy of Management Journal Vol. 39 No.1, February* , 5-35.
- Lloyd J., T. I., Becki, M., & William, P. (2006). Goldratt's thinking process applied to employee retention. *Business Process Management* , 646-670.
- Lockwood, D., & A. A. (1999). Recruiting and retaining scarce information technology talent : a focus group study. *Industrial Management & Data Systems* , 251-256.
- Mathis, R. a. (2003). Human Resource Management, 10th ed.,. Thompson-Southwestern, Clifton Park, NY.
- McKeown, . L. (2002). *Retaining Top Employees*. Blacklick, OH, USA: McGraw-Hill Companies.
- Michael, S. O., & Crispen, C. (2009). Employee retention and turnover:Using motivational variables as a panacea. *African Journal of Business Management* , 410-415.
- Milman, A. a. (2004). Predicting job retention of hourly employees in the lodging. *Journal of Hospitality and Tourism Management Vol. 11 No. 1* , 23-41.
- Moncarz, E., Zhao, J., & Kay, C. (2009). An exploratory study of US lodging properties' organizational practice on employee turnover and retention . *International Journal of Contemporary Hospitality Management* , 437-458.
- P, K. (1996). *Employee morale during downsizing*,. The institute for employment studies Report 291 university of brighton.



- Pfeffer, J. (1998). The Seven Practices of successful organisations. *California Management Review* , 96-125.
- Pickett, L. (2003). Transforming the annual fiasco. *Industrial and commercial Training* , 237-240, (Vol 35).
- Ramlall, S. (2003). Managing Employee Retention as a Strategy for Increasing Organizational Competitiveness. *Applied H.R.M. Research, VOL 8, NO 2* , 63-72.
- Rodriguez, R., & Hudson-Martin, G. (2008, June 23). Learning's Impact on Talent Flow.
- Sekaran, u. (2003). *Research Methods For Business :A skill building approach*. New York: John Wiley & Sons.
- Sekaran, U., Delahaye, B. L., & Cavana, R. Y. (2001). *Applied Business Research : Qualitative and Quantitative methods*. John Wiley & Sons Australia, LTD.
- Shoaib, M., Ayesha, N., Syed Raza, T., & Sajid, B. (2009). DETERMINANTS OF EMPLOYEE RETENTION IN TELECOM SECTOR OF PAKISTAN. *Proceedings 2nd CBRC*. Lahore.
- Sigler, K. J. (1999, Nov). Challenges of Employee Retention. *Management Research news* .
- Silbert, L. (2005). *The effect of Tangible Rewards on Perceived Organizational Support. Management Sciences*. Retrieved from Management Sciences: [uwspace.uwaterloo.ca/bitstream/10012/872/1/lsilbert2005.pdf](http://uwspace.uwaterloo.ca/bitstream/10012/872/1/lsilbert2005.pdf)
- Smith, A. D., & Rupp, W. T. (2002). Communication and Loyalty among Knowledge workers : a resource of firm theory view. *Knowledge Management, Vol 6 .Number 3* , 250-261.
- Smith, G. P. (2001). *Here Today, Here Tomorrow: Transforming Your Workforce from High Turnover to High Retention*. Chicago, IL: Dearborn Trade, A Kaplan Professional Company.

- Starosta, M. (1998). *Enggaging employees: Retention Strategies for Todays Growing Business*. Simon Fraser University.
- Stum, D. (2001). Maslow Revisited: Building the employee comitment pyramid. *Strategy and leadership* , 4-9.
- Trevor, C., Gerhart, B., & Boudreau, J. (1997). Voluntary turnover and job performance: curvilinearity and the moderating influences of salary growth and promotions. *Journal of Applied Psychology*, Vol. 82 , 44-61.
- Vos, A. D., & Meganck, A. (2009). What HR managers do versus what employees value. Exploring both parties views on retention management from a psychological contract perspective. *Personnel Review* , 45-60.
- Waldman, M. (1984). Job assignments, signaling, and efficiency. *Rand Journal of Economics Vol. 15* , 255-67.
- Zimmerman, R. D., & Darnold, T. C. (2009). The impact of job performance on. *Personnel Review* , 142-158.